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No. 21947. ✓

IN THE
United States Court of Appeals
FOR THE NINTH CIRCUIT.

FRANK N. RAWLINGS,

Appellant,

v.

NATIONAL MOLASSES CO., a corporation; ORITA LAND
& CATTLE CORPORATION, a corporation; HEBER
CATTLE FEEDERS, a corporation; and ALLIED
CATTLE FEEDERS, a corporation,

Appellees.

BRIEF FOR APPELLEES.

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HEBER CATTLE FEEDERS, A CORPORATION; AND
ALLIED CATTLE FEEDERS, A CORPORATION,

Appellees.

BRIEF FOR APPELLEES.

The appellant (Rawlings) has appealed from an interlocutory decision of the United States District Court for the Central District of California dismissing a supplemental complaint for failure to join a co-owner of a patent as an indispensable party. No opinion was filed, and the District Court's orders granting the defendants' motion to dismiss and denying the plaintiff's motion for a new trial appear at pages (R 526) and (R 571) ¹ of the record.

1. Every record citation with the suffix R refers to the record, every record citation with the suffix App. refers to Appellees' Appendix and every citation with the suffix R br. refers to Appellant's brief.

All emphasis in quotations throughout this brief is supplied unless otherwise noted.

COUNTER-STATEMENT OF THE CASE.

The Parties.

Plaintiff, Frank N. Rawlings (Rawlings), a resident of Caldwell, Idaho, is one of the co-patentees of U. S. Patent 2,748,001. The other co-patentee Philip C. Anderson is not a party to the suit, although his corporation, to whom he has assigned all of his interests in the patent, still has the right to grant as many licenses under the patent as it wishes, on whatever terms it pleases, and to keep all the proceeds.

Defendant, National Molasses Company (National), is a Delaware corporation whose principal business is the importation and sale of molasses. The co-defendants, Orita Land & Cattle Company, Heber Cattle Feeders, and Allied Cattle Feeders are customers of National.

Feed Service Corporation (Feed Service), is a Nebraska corporation, with its principal place of business located at Crete, Nebraska. It is the exclusive assignee of Anderson's undivided one-half interest in the subject patent and for this reason, was found to be an indispensable party by the District Court. Anderson is the president of the company. Although Feed Service is not a party to this litigation, its president, Anderson, did consent to being deposed, and the company did appear specially to contest defendants' subsequent Rule 37 Motion which sought an order compelling Anderson to answer certain questions propounded at his deposition.

The Proceedings Below.

Rawlings brought this action on April 16, 1965 against National and the other co-defendants, charging infringement of the aforesaid patent.

When this action was originally filed, Feed Service was joined as a defendant because Rawlings recognized that it

was an indispensable party by virtue of its ownership of Anderson's interest in the patent. However, Feed Service was not served, and although it has participated to the extent already discussed, it has never entered an appearance and therefore is not now a party to these proceedings.

Feed Service clearly did not wish to become a party to these proceedings (App. 4-5a). Therefore, Rawlings, with Anderson's cooperation sought to disguise its co-owner—indispensable party status and thereby remove the necessity of its participation as a party litigant. This attempt took the form of a transaction dated December 27, 1965, evidenced by two documents entitled, a "Patent Assignment" and a "Patent License Grant" (R 332-5), executed, respectively, by Anderson and Rawlings. The patent assignment purportedly assigned all of Feed Service's "undivided one-half of the entire right, title and interest in and to said patents and each thereof, as well as the right to sue and recover for all past infringement thereof" to Rawlings. However, the contemporaneous patent license agreement, returned to Feed Service, for the life of the patents, "an unlimited, royalty free, non-exclusive, and non-cancellable right and license to make, use and sell the products and use the methods of said patents and each of them, and to sublicense others so to do" (R 334). Armed with these documents, Rawlings then filed an Amended and Supplemental Complaint which omitted Feed Service as a party (R 212-216).

In fact the two documents are completely sham, as proven by Anderson's deposition testimony given several months after the agreements were purportedly executed. The agreements state on their face that they were each executed on December 27, 1965 (R 333-334); yet at the commencement of Anderson's deposition on March 9, 1966 plaintiff's counsel represented that such agreements had not yet been reduced to writing (App. 1-2a):

“MR. MASON: Mr. Connolly, before we get started, I would like to make a statement on the record here.

“The parties here have negotiated a transaction by which Mr. Rawlings will become the owner of the entire right, title and interest in the patents. It was only discussed this morning. It has not been reduced to writing.

“I will send you a copy of the document.” . . .

This was later confirmed by Anderson that same day when he testified concerning the details of these agreements which as of that day, March 9, had not been “worked out” or “reduced to writing.” (App. 9a). For example, Anderson stated that Feed Service’s right to sublicense under the patent was one of “the details today that remained to be worked out before this assignment was reduced to writing” (R 545); yet the license agreement purportedly granted such an unlimited right to Feed Service on December 27, 1965. During his deposition Anderson also testified that the assignment was not even in existence (App. 11a):

“Q. And that this agreement is to be drafted shortly and you propose to sign it and expect him to; is that right?

“A. That is correct.”

But the assignment too was purportedly executed on December 27, 1965. On these facts, and the candid admission of counsel for Feed Service that Feed Service’s sole interest was to remove the necessity of its being a party to this litigation (App. 3b-4b), the District Court concluded that these documents were exchanged solely “to circumvent rule 19(a)”; that Feed Service continued to have “all the rights it had as a co-owner, including the right to grant sublicenses and retain the royalties” and was thus an indispensable party to these proceedings within the meaning of Rule 19(a) (R 526-7).

COUNTER-STATEMENT OF THE QUESTIONS INVOLVED.

1. Whether the District Court's order dismissing the complaint, but not the action, for failure to join an indispensable party, is a final judgment for purposes of appeal.

2. Whether the Court correctly held that a co-owner of a patent who supposedly assigned its interest in the patent, but in fact retained all the rights it held as a co-owner, including the unrestricted right to license the patent and retain all royalties therefrom, continued to be an indispensable party to a suit for infringement of the patent.

A R G U M E N T .

I. Rawlings' Appeal Should Be Dismissed Since the District Court's Order Was Not Final Under 28 U. S. C. § 1291.

The District Court's order dismissing the complaint is not a final judgment within the meaning of 28 U. S. C. § 1291 and thus is not appealable. Rule 41(b) of the Federal Rules of Civil Procedure specifically provides:

“—unless the court in its order for dismissal otherwise specifies, a dismissal under this subdivision and any dismissal not provided for in this rule, *other than a dismissal* for lack of jurisdiction, for improper venue, or *for failure to join a party under Rule 19*, operates as an adjudication upon the merits.”

Thus, the dismissal is without prejudice to the plaintiff filing an amended or new complaint in this or some other forum which would rectify the joinder problem.

Furthermore, while the District Court dismissed the complaint, it did not dismiss the action. The order is thus not an appealable order for this additional reason. Time and again this court has held that an order which does not dismiss the action as well as the complaint is not a final judgment within the meaning of 28 U. S. C. § 1291 and is therefore not appealable. *Drown v. United States Pharmacopoeial Convention*, 198 F. 2d 470 (9 Cir. 1952); *Merritt-Chapman & Scott Corporation v. City of Seattle, Washington*, 281 F. 2d 896 (9 Cir. 1960); *M. Martinez v. Flores*, 299 F. 2d 888 (9 Cir. 1961). Indeed, it has dismissed such appeals on its own motion. *Bundy v. Gibson*, 295 F. 2d 62 (9 Cir. 1961).

Considered within the framework of the Federal Rules of Procedure, as well as the requirements of 28 U. S. C.

§ 1291 the District Court's order dismissing the complaint is not a final judgment and this fact, alone, requires that this appeal be dismissed.

II. The District Court Correctly Dismissed the Complaint on the Grounds That Plaintiff Failed to Join Feed Service as an Indispensable Party.

At the time suit was filed, Feed Service was a co-owner of the patent in suit, and, by Rawlings' own admission, an indispensable party to the litigation. However, Rawlings asserts that the simultaneous exchange of the alleged assignment and license transformed Feed Service into a bare licensee thus removing its mantle of indispensability. The District Court found on the facts that after the exchange of documents Feed Service "still has all the rights it had as co-owner" (R 526-7) and was thus an indispensable party within the meaning of Rule 19(a). Accordingly, it granted the defendants' motion to dismiss. The record provides undeniable support for the Court's decision.

A. The Alleged Exchange of Documents Between Rawlings and Feed Service Was a Sham Transaction.

The record shows that the assignment and license were completely sham—drafted for the sole purpose of disguising Feed Service's true interest in the patent to circumvent the requirements of Rule 19. It is clear that Feed Service never intended to give up the essential rights of ownership which it previously held as a co-owner of the patent. If it in fact executed these agreements it was only for the purpose of confusing the issue. Furthermore, the authenticity of these documents is completely refuted by Anderson's sworn testimony, Rawlings' self-serving affidavit statement that they "memorialize bona fide transac-

tions supported by mutual considerations'' (R 549) notwithstanding. This evidence was before the Court and unquestionably influenced its conclusions. We submit it demonstrates that the entire transaction represented by these two documents was wholly fictitious—that Rawlings and Feed Service remain co-owners in fact, exactly as shown on the face of the patent (R 337). Further, we submit that Rawlings' attempt to mislead the defendants with these documents is itself tantamount to an act of unclean hands calling for the sanctions traditionally imposed in such situations.

B. The Assignment and License Agreement Do Not Change Feed Service's Status as an Indispensable Party, Assuming They Are Entitled to Any Credibility.

Even if these documents are assumed to represent a legitimate transaction, they fail to modify the parties' rights in any substantive way. The undisputed facts show that under the alleged license Feed Service still retains the very incidents of ownership which it had as a co-owner when this suit was filed and it admittedly was an indispensable party. It still has the unrestricted right (a) to operate in any way under the patent, for the life of the patent, (b) to grant as many sublicenses thereunder as it wishes, on whatever terms it wishes, (c) to keep all income derived from such sublicenses and (d) to exercise all of these rights autonomous of any control or intervention by Rawlings (App. 10-11a). These rights are clearly the attributes of a co-owner as defined by 35 U. S. C. § 262:

“Joint owners of a patent may make, use or sell the patented invention without the consent of and without accounting to the other owner.”

Feed Services' rights in the patent under the alleged license agreement clearly fall within this statutory definition. As the District Court found, the effect of the assignment and license agreement considered together was that Feed Service possessed the same rights it had before those documents were shuffled between the parties—those of a co-owner. The fact that the document reconveying these rights to Feed Service is labeled a license is of no moment for it is the substantive terms of the instrument that control—and they return to Feed Service the essential incidents of ownership. *Waterman v. Mackenzie*, 138 U. S. 252, 256 (1891); *Watson v. United States*, 222 F. 2d 689, 691 (10 Cir. 1955).

Furthermore, the record is clear that Feed Service never intended to give up any of the essential rights of ownership which it held as co-owner of the patent. Its own counsel confirmed this fact. (Appendix 4-5a):

“Mr. Cifelli: . . . I was disturbed by Mr. Anderson's being put to the bother, time-consuming efforts, et cetera of having to give testimony in this case, and noted that since Feed Service Corporation was a nominal party defendant and assuming, without however deciding, that Feed Service Corporation was actually before the Court, which I frankly doubt, I attempted to find a way to be fair to both parties and which would reduce the burden of Mr. Anderson.

“And I conceived the idea of having Mr. Anderson assign Feed Service Corporations and/or his one-half interest—and I am not reading from my notes—in the patents in suit, in return for license from Rawlings on a royalty-free basis with the right to sublicense, and on Rawlings taking whatever action is necessary to remove Feed Service as a party immediately.

“The basis, I repeat, of my position is that Feed Service Corporation has no interest in the outcome and does not want to be put to any unnecessary expense.

“By relinquishing title, Feed Service Corporation then only becomes a witness and not a party.”

The parties may have actually hoped, by mere form, to excuse Anderson from the “bother, time-consuming efforts et cetera” of testifying—but it is clear they never intended to modify any of Feed Service’s substantive rights under the patent.

Rawlings argues that Feed Service has been reduced to a mere non-exclusive licensee, having “nothing more than the grant of authority to practice the invention” similar to “a simple easement” (R br. 5) because Feed Service no longer has a “right to exclude others from practicing the patented invention” (R br. 14, 20). This right he asserts is the hallmark of ownership. We know of no legal support for this assertion—and the statute (35 U. S. C. § 262) and decisions are to the contrary *Pennsalt Chemicals Corp. v. Dravo Corp.*, 240 F. Supp. 837 (E. D. Pa. 1965).² As a co-owner, Feed Service’s rights were non-exclusive—as were Rawlings’ rights. Clearly, Rawlings did not wish to convey greater rights to Feed Service than it originally had, simply to keep it out of a law suit. If anything the fact that the license is non-exclusive simply underscores the correctness of the District Court’s finding that the simultaneous exchange of documents did nothing to alter the existing rights of the parties in the patent. Furthermore, the fact remains that Feed Service retained its unlimited right to sublicense the patent on its own terms and keep all pay-

2. At pages 13 and 14 of his brief Rawlings cites a number of statutory provisions as authority for his argument that a licensee cannot exclude others from the patent monopoly unless his license is “exclusive to all or part of the United States”. None of the cited provisions support this proposition.

ments. Retention of this right alone gives Feed Service a sufficient interest in the patent to permit it to sue for its infringement. *J. A. Terteling & Sons v. Guy F. Atkinson Co.*, — F. Supp —, 145 U. S. P. Q. 314 (N. D. Cal. 1965).

We submit that, for the foregoing reasons, Feed Service's present rights in the patent are unquestionably those of a co-owner. *Bendix Aviation Corporation v. Kury*, 88 F. Supp. 243, 248 (E. D. N. Y. 1950); *Rainbow Rubber Co. v. Holtite Mfg. Co.*, 20 F. Supp. 913, 915 (D. Md. 1937); *Gibbs v. Emerson Electric Mfg. Co.*, 29 F. Supp. 810, 812 (W. D. Mo. 1939); 4 *Deller's Walker on Patents*, § 371 (2 Ed.) p. 469. As such, it is an indispensable party to these proceedings under Rule 19 since it certainly has an interest in these proceedings, and, as the judgment would not bind Feed Service, its absence will clearly leave defendants open to multiple litigation even if they should be successful. For these reasons, it has long been held that persons holding ownership interests in a patent are indispensable parties to a suit for infringement of that patent. *Rainbow Rubber Company v. Holtite Mfg. Co. Inc.*, *supra*; *Bendix Aviation Corporation v. Kury*, *supra*, *United States v. Washington Institute of Technology*, 138 F. 2d 25 (3 Cir. 1943); *Switzer Brothers, Inc. v. Byrne*, 242 F. 2d 909 (6 Cir. 1957); *Hurd v. Sheffield Steel Corp.* 181 F. 2d 269 (8 Cir. 1950); 3 *Moore's Federal Practice* 2nd Ed. par. 19.14 (2-1) pp. 2405-6. This has been so regardless of whether such persons have actually asserted a claim or not. Rawlings' attempt to limit Rule 19 to instances where a claim is actually asserted (R br. 10) is wholly lacking in both reason and support.

Finally, Rawlings' argument (R br. 13) that Feed Service would be bound by the judgment because it was invited to become a party to these proceedings is absolute nonsense. Although the language quoted from *Independent Wireless Telegraph Company v. Radio Corporation of*

America, 269 U. S. 459 (1926) would appear to be pertinent, an examination of the case reveals it is not. Further in instances where the same argument has been advanced, the case has been held to have no application to situations concerning co-owners of a patent. *Rainbow Rubber Co. v. Hol-tite Mfg. Co.*, *supra*, *Bendix Aviation Corporation v. Kury supra*. Nor, we submit could the court below have remedied Feed Services' absence by including appropriate protective clauses in the judgment as Rawlings' cavalierly suggests (App. Br. 11) because the Court had no jurisdiction over Feed Service. Equally untenable are Rawlings' unsupported assertions (R br. 5, 10) that dismissal would leave Rawlings without an adequate remedy for any alleged infringement. There is not the slightest suggestion in the record that Rawlings could not proceed in some other jurisdiction or take some other appropriate action to remedy his plight.

The newly amended Rule 19 does make the relief granted for failure to join an indispensable party discretionary with the District Court. However, where, as here, the record shows that defendants will be prejudiced by Feed Service's absence, which cannot be avoided by measures other than dismissal of the complaint, and the record is silent as to whether Feed Service's absence can be cured by suit in another forum or by some other means, it is clear that the complaint should be dismissed. *Channel Mastes Corp. v. J. F. D. Electronics Corp.*, 263 F. Supp. 7 (E. D. N. Y. 1967). The decision of the District Court was not only well within its discretion but completely correct and therefore should be sustained.

CONCLUSION.

For the foregoing reasons, Rawlings' appeal should be dismissed or the decision of the Court below dismissing the supplemental complaint should be affirmed.

Respectfully submitted,

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Certificate.

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

CHARLES E. JONES.

APPENDIX A.

Excerpts of Deposition of Philip C. Anderson, March 9, 1966.

(4)*

Mr. Mason: Mr. Connolly, before we get started, I would like to make a statement on the record here.

The parties here have negotiated a transaction by which Mr. Rawlings will become the owner of the entire right, title and interest in the patents. It was only discussed this morning. It has not been reduced to writing.

I will send you a copy of the document. . . .

Mr. Connolly: That is the document to be signed?

Mr. Mason: No.

Mr. Connolly: In other words, you have an oral understanding, but as of the moment, until this document is completed, Mr. Anderson is owner of the half-interests in the two patents in suit, and Mr. Rawlings is the owner of the half-interests—is that the situation?

Mr. Mason: That appears in the pleadings as set up, but we have agreed, as I have stated just now—whether the patents stand that way right now or not—

Mr. Connolly: In other words, it is a question whether Mr. Anderson or his company,

(5)

Feed Service Corporation, relinquished the half-interest in both patents in suit as of a few minutes ago, during a meeting that he had with Mr. Rawlings before he arrived here, or whether he is still the owner of the half-interest?

* Figures in parentheses refer to page numbers of typewritten transcript.

2b *Excerpts of Deposition of Philip C. Anderson*

Mr. Mason: It was agreed it was to go into a document, but we just haven't had time to write it up and sign it.

Mr. Cifelli: May I make a comment?

The assignment of all Mr. Anderson's and/or Feed Service Corporation's interest in the patents in suit was agreed upon in principle months ago, a fact that I communicated on more than one occasion to Mr. Christensen of your office.

The discussions that were had this morning, Mr. Connolly, merely had to do with one or two minor matters.

So in point of fact and equity, Mr. Anderson and/or Feed Service Corporation have not been the owners of any interest in the patent for some time, in my judgment.

Consequently, as of the moment, it is my belief that Mr. Anderson and his company are not here as parties. Mr. Anderson is merely a witness.

(6)

All that remains to be done is to reduce to writing what has been agreed upon for some time.

For that reason, I would like to have everybody here understand that neither the presence of Mr. Anderson nor of myself in any way is to be construed as an appearance in this case.

Mr. Connolly: Apparently there is some difference of opinion as to when the title to the patents in suit was transferred from Mr. Anderson's company to Mr. Rawlings.

But I think Mr. Mason has stated his views, and you, Mr. Cifelli, have stated your views. They are in the record. And rather than going into the matter any further, we will let the record speak for itself, and during the course of Mr. Anderson's deposition, perhaps I can try to develop some of the facts that may permit the Court to decide what the situation is.

Mr. Mason: I think if you start in questioning along that line, you are merely playing on a fiction, just to do a little fishing. So I don't think you should do that.

There is no difference between Mr. Cifelli's version of this and—we have negotiated it.

* * *

(45)

Mr. Cifelli: Referring specifically to Exhibit 1-H for identification, a letter dated December 6, 1965 from Mr. Christensen addressed to me, informing me that National Molasses desired to take the deposition of Feed Service Corporation by its chief executive, Mr. Philip C. Anderson, I made some notes under date of December 17, 1965 to the effect that I was disturbed by Mr. Anderson's being put to the bother, time-consuming efforts, et cetera of having to give testimony in this case, and noted that since Feed Service Corporation was a nominal party defendant and assuming, without however deciding, that Feed Service Corporation was actually before the Court, which I frankly doubt, I attempted to find a way to be fair to both parties and which would reduce the burden of Mr. Anderson.

And I conceived the idea of having Mr. Anderson assign Feed Service Corporation's and/or his one-half interest—and I am not reading from my notes—in the patents in suit, in return for license from Rawlings on a royalty-free basis with the right to sublicense, and on Rawlings taking whatever action is necessary to

(46)

remove Feed Service as a party immediately.

The basis, I repeat, of my position is that Feed Service Corporation has no interest in the outcome and does not want to be put to any unnecessary expense.

By relinquishing title, Feed Service Corporation then only becomes a witness and not a party.

This information was passed on to Mr. Christensen. I do not know the exact date, however.

Under date of December 20th, I called Mr. Stratton and I began to tell him about the idea, but he then informed me that he was on his way out as Rawlings' attorney.

The following day I spoke to Mr. Mason.

And on December 23rd, Mr. Mason advised me over the telephone that the proposal is acceptable.

He mentioned that it would take time for him to have the assignment and license prepared as well as substitution of attorney, and that he had to review the file since he was new and there was a considerable amount of matter to be studied.

He then informed me that he would file an amended complaint eliminating Feed Service

(47)

Corporation as a party.

I am sure Mr. Mason, being a good lawyer, said he would file a motion for an amended complaint.

My notes——

Mr. Connolly: May I suggest, Mr. Cifelli, if you will, that you confine yourself to the consideration that Mr. Anderson received for the contemplated assignment of the two patents in suit.

Mr. Cifelli: I have already stated that.

Mr. Connolly: Have you covered in full the consideration that Mr. Anderson was to receive?

Mr. Cifelli: I have.

Mr. Connolly: Then may I direct some questions to him about that consideration?

By Mr. Connolly:

Q. Mr. Anderson, you heard your counsel describe the consideration which you were to receive in return for the assignment by your corporation, Feed Service Corporation, of its half-interest in the two patents in suit. Isn't that so?

A. That is right.

Q. Is it your understanding that what your counsel stated as to the consideration covers everything

(48)

that you expected to receive from the assignment?

A. It does.

Q. Were the terms of this consideration previously discussed with you by anyone, or did you hear them——

A. The terms——

Q. —or did you hear them for the first time today in the meeting which took place just before you appeared to give your deposition?

A. I heard about them several days ago while I was out of the country—that is, after I came back from being out of the country for a prolonged period of time.

Q. Who told you of the consideration several days ago?

A. My counsel.

Q. May we agree that the first you heard of this consideration was several days ago?

Mr. Cifelli: I would like to interject at this point, because the witness's memory is faulty. I have here notes dated December 17, 1965 from which I will read verbatim.

“Conference, 31 minutes with P. C. A.”

Mr. Connolly: That is Anderson?

Mr. Cifelli: That is Philip C. Anderson.

(49)

Mr. Connolly: Would you mind stating where the conference occurred?

Mr. Cifelli: On the telephone.

It is not stated here, but I am willing to back that up with a witness.

Mr. Connolly: I will take your word.

Mr. Cifelli: Please note this is dated December 17th, which is after the letter dated December 6th from Mr. Christensen advising me that the deposition of Mr. Anderson was desired.

Mr. Connolly: Would you just read whatever you wish in the record?

Mr. Cifelli: "After full consideration, I was authorized to call Stratton and offer to assign FSC's or PCA's one-half interest in patents in suit in return for license from Rawlings on royalty-free basis with right to sublicense and on Rawlings' taking whatever action is necessary to remove FSC as a party immediately."

The Witness: That is correct.

By Mr. Connolly:

Q. Mr. Anderson, with your recollection refreshed by Mr. Cifelli's statement, is it now your belief that you first heard of the consideration for the assignment

(50)

from you or your corporation of the two patents in suit about December 17, 1965?

A. Yes. I didn't understand your former question.

Q. And at that time, as I understand it, you told Mr.

Cifelli that this consideration was satisfactory and that you were willing to proceed with the assignment?

A. I did.

Q. Is that right?

A. Yes.

Q. What were the details today that remained to be worked out before this assignment was reduced to writing?

A. There was a slight misunderstanding.

Q. What was?

A. Between myself and my counsel.

I asked for a right to use the patent and to sublicense it. My counsel assumed that I only wanted a single opportunity to sublicense, while I wished to have unlimited opportunity to sublicense.

This was the point which wasn't understood.

Q. How was that point worked out today just before you appeared to give your deposition?

A. The right, as I wished it, for unlimited right to sublicense was granted.

(51)

Q. By whom?

A. By Rawlings and his attorney.

Q. Then is it your understanding that as of the present time you are to receive for the assignment of the two patents in suit a free license to operate under those patents with an unrestricted right to grant as many sublicenses thereunder as you wish and on whatever terms you wish?

A. Yes.

Q. And are you to keep all of the income derived from such sublicenses?

A. I am.

Q. Are you to share any part of that income with Mr. Rawlings?

A. No.

Q. Are you to have the right to grant free licenses to others if you so desire?

A. Yes.

Q. Under either or both of the patents in suit?

A. I am.

Q. Did you have to consult with Mr. Rawlings before granting such licenses?

A. No.

Q. Then is it a fair statement that you have

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carte blanche to license any and all people under any terms varying from a free license to any royalty whatever, without consulting with Mr. Rawlings, and retaining for your sole use whatever you obtain from each of such licenses?

A. That is correct.

Q. And is it your understanding that you are to retain such rights throughout the remaining lives of each of the patents in suit?

A. It is.

Q. Did Mr. Rawlings this morning consent to such a right on your part as consideration for the assignment which is now to be reduced to writing?

A. That is true.

Q. And it is your understanding that you and he are in complete accord; is that right?

A. That is right.

Q. And that this assignment is to be drafted shortly and you propose to sign it and expect him to; is that right?

A. That is correct.

Q. Have you previously granted any other individual or company a license or sublicense under either of the patents in suit?

(53)

A. Have I granted any previously? I have.

Q. Who are the licensees or sublicensees of the patents in question?

A. The National Distillers Corporation——

Q. Any others?

A. —of New York. That was the principal one.

And the only other one is the Talbot Carlson Company of Audubon, Iowa.

Q. Were each of those companies licensed under each of the patents in suit?

A. Certainly National Distillers was.

Q. Was the Talbot Company?

A. I think only one of the patents in suit.

Q. Which one?

A. The 001, the earliest one.

Q. But you are sure that National Distillers received a license under both patents in suit; is that right?

A. I think so.

Q. Did its license include any other patent or patent application?

A. It did.

Q. What other patent and patent application?

A. Other patents in the area of liquid feed which I own.

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